Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2023

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Portfolio Managers

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Longer-dated bonds remained in the cross hairs, with yields (market interest rates) taking another step higher. Irrespective of a reduced exposure to interest rates and cautious positioning, the revaluation lower across bonds and shares to higher interest rates saw the Fund fall 1.2%. Over one year, the 4.4% return remains resilient considering the reset higher in market interest rates. We have outlined for some time that patience will be required through this rate transition process. When valuations fall, the Fund takes time to earn back via now attractive income (yield) from bonds and shares. However, when market interest rates settle, as we believe they should be close to doing, higher income and more favourable valuations should underpin a very attractive return profile for the Fund.

Myriad factors have been driving the move higher in bond yields, including central bank quantitative tightening, questions on sustainability of government fiscal deficits, and a lower probability of near-term rate cuts due to slow disinflation as oil prices rise and economic growth proves resilient. In short, a narrative of higher rates for longer. We are reminded, however, that monetary policy moves with long and variable lags. Post Covid, this lag is likely longer. Hikes already in place are still feeding though the economy. Therefore, while rate cuts may be delayed, central banks may not need to hike (much) further as economies slow.

We therefore believe corporate bond market valuations are close to fair value, but markets can become oversold and thus we have been very patient when adding bonds. This month that included new bonds from Worldpay (global payments company) and Westconnex (Australian roads) at NZ dollar equivalent yields in the mid sevens.

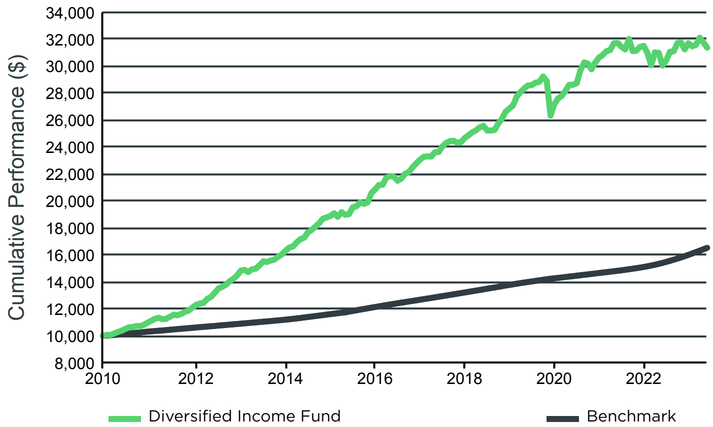
Broad share market valuations were weaker again in September, adjusting to the higher interest rate environment. Weakness was pronounced in income-oriented shares such as property, utilities and infrastructure. We have remained cautiously positioned, wary of higher interes rates, which provided some return cushion. We also retain less exposure to income shares, having diversified to less interest rate-exposed sectors. This included energy as an inflation hedge, which benefited as oil prices rose, e.g. Shell (+8.1%), and European banks where valuations are depressed and earnings should benefit from higher interest rates, e.g. NatWest bank (+2.3%).

Longer-dated bond yields may yet rise further, but are close to fair value by many measures, and attractive bond yields should provide a reasonable return cushion. Weakness in shares has opened up more pockets of value, but we will remain defensively positioned in terms of aggregate share exposure for now. We will cautiously add to companies where share prices do not reflect the return outlook. In total, this approach should underpin a favourable medium-term return outlook, but we continue to reiterate the risk of some near-term turbulence before we arrive at this attractive destination.

To view Milford's September 2023 Market and Economic Review please see milfordasset.com/insights. For previous fund reports see milfordasset.com/fund-reports.

Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of $10,000 invested at the Fund's inception date, and assumes reinvestment of distribution.

Key Fund Facts

Objective [1]	To provide income and capital growth over the minimum recommended investment timeframe
Description	Diversified fund that primarily invests in fixed interest and equity income-generating securities
Minimum recommended investment timeframe	4 years +
Target Allocation	60% Income Assets / 40% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	$2,684.7 M
Yield [2]	6.30%
Average Credit Rating	BBB+
Duration	1.34 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 April 2010
Current Distribution	1.45 cents per unit (Quarterly)
Benchmark	OCR + 2.5% p.a.
Base Fund Fee [3]	0.65%
Performance Fee	10% of the Fund's returns above the Benchmark [1], subject to the high watermark.
Total Fund Fees [4]	0.85% (includes an est. performance fee)
Risk Indicator	Lower risk — Higher risk 1 2 3 **4** 5 6 7 Potentially lower returns — Potentially higher returns

Diversified Income Fund as at 30 September 2023

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Investment Performance after fees as at 30 September 2023[5]

Unit Price: $1.7895

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Diversified Income Fund (Gross Of Tax)	-1.21%	-0.66%	4.39%	3.10%	4.17%	8.84%
After Tax 10.50%	-1.29%	-0.81%	3.98%	2.92%	3.86%	8.23%
After Tax 17.50%	-1.34%	-0.90%	3.71%	2.80%	3.65%	7.83%
After Tax 28.00%	-1.41%	-1.05%	3.30%	2.61%	3.34%	7.24%
Benchmark	0.63%	1.96%	7.27%	4.64%	4.21%	3.79%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.26%
Spark	1.92%
APA	1.87%
Goodman	1.52%
Getlink	1.32%
Infratil	1.13%
Telstra	1.11%
Shell	1.04%
Elevance Health	0.94%
Bank of Ireland Group	0.90%

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	4.83%
Scentre Group 5.125% 2080	1.11%
Telstra 4.9% 2028	1.00%
CBA 4.9% 2028	0.97%
British Telecommunications	0.92%
NZGBI 2% 2035	0.86%
Virgin Money 4.625% 2028	0.79%
BNZ 5.87% 2028	0.77%
Voyage Float 2029	0.77%
BIRG 5% 04/07/2031	0.77%

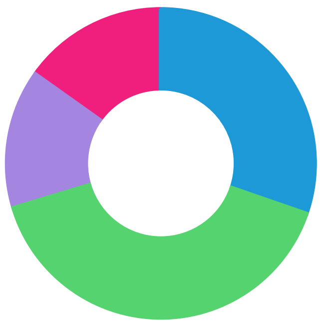
Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	13.66%	5%
New Zealand Fixed Interest	15.45%	10%
International Fixed Interest	39.08%	45.0%
New Zealand Equities	6.78%	6.5%
Australian Equities	5.08%	10%
International Equities	11.12%	5%
Listed Property	7.31%	18.5%
Other	1.52%	0.0%

The actual cash held by the Fund is 2.87%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Fund Portfolio Mix



Region Exposure

1. After the Base Fund Fee but before tax and before the performance fee. **2.** The yield to maturity is not an indicator of future return, but reflects the current yield to maturity of the fund's underlying holdings (before tax and after the base fund fee). **3.** Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. **4.** The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. **5.** Includes the reinvestment of distributions. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Monthly Fact Sheet' at milfordasset.com/fact-sheet for more information about the data published within this document.